

Executive Summary

Since the states settled their lawsuits against the tobacco companies in November 1998, our organizations have issued annual reports assessing whether the states are keeping their promise to use a significant portion of their settlement funds – expected to total \$246 billion over the first 25 years – to attack the enormous public health problems posed by tobacco use in the United States.

In addition to the billions of dollars they receive each year from the tobacco settlement, the states collect billions more in tobacco taxes. In the current budget year, Fiscal Year 2012, the states will collect a total of \$25.6 billion in revenue from the tobacco settlement and tobacco taxes, near record levels.

This year, our report finds that despite collecting huge sums in tobacco revenue, the states have slashed funding for tobacco prevention and cessation programs by 12 percent in the past year and by 36 percent over the past four years.

Of the \$25.6 billion in tobacco revenue they will collect this year, the states will spend only 1.8 percent – \$456.7 million – on programs to prevent kids from smoking and help smokers quit. This means the states are spending less than two cents of every dollar in tobacco revenue to fight tobacco use.

Both the total amounts states are spending on tobacco prevention programs and the percentage of tobacco revenue spent on these programs are the lowest since 1999, when states first received tobacco settlement funds.

The states' failure to use more of their tobacco money to fight the tobacco problem is especially troubling in light of recent national surveys indicating that smoking declines in the United States have slowed. The nation's progress in the battle against tobacco use – the number one cause of preventable death – is at risk unless states increase funding for tobacco prevention and cessation programs. Given the deep cutbacks in state programs, it is more critical than ever that the federal government also fund and implement a robust, national tobacco prevention and cessation campaign.

Key Findings

Overall conclusions of this year's report include:

- In Fiscal Year 2012, the states will collect \$25.6 billion in revenue from the tobacco settlement and tobacco taxes, but will spend only 1.8 percent of it – \$456.7 million – on programs to prevent kids from smoking and help smokers quit. The percentage of state tobacco revenues invested in tobacco prevention and cessation programs has been falling. In the first 10 years after the tobacco settlement, the states spent 3.2 percent of their tobacco money on such programs.

- States have cut funding for tobacco prevention programs by 12 percent (\$61.2 million) in the past year and by 36 percent (\$260.5 million) in the past four years. Current funding is the lowest since 1999, when states first received tobacco settlement payments.
- States are falling woefully short of recommended funding levels for tobacco prevention programs set by the U.S. Centers for Disease Control and Prevention (CDC). The \$456.7 million the states have budgeted amounts to just 12.4 percent of the \$3.7 billion the CDC recommends for all the states combined. It would take less than 15 percent of total state tobacco revenues to fund tobacco prevention programs at CDC-recommended amounts in every state.
- Budget cuts have decimated some of the most effective state tobacco prevention programs. Funding for **Washington's** program, which has helped cut youth smoking in half, has been virtually eliminated, while **New York's** program has been cut by more than half over the past four years. Funding for **Ohio's** program has been eliminated, while once robustly funded programs in **Colorado, Iowa** and **Maryland** have been cut by about 75 percent.
- Federal grants have helped to cushion the impact of state cuts, but funds provided by the 2009 economic stimulus law will run out this year and funding from the Prevention and Public Health Fund, created by the health care reform law, faces possible budget cuts. In fiscal year 2012, the federal government is providing \$91.2 million in state and community grants to reduce tobacco use. States have also received \$196.4 million in stimulus funds for tobacco prevention, some of which will be spent this year.

Additional Findings

Our report assesses and ranks the states based on whether they are funding tobacco prevention programs at levels recommended by the CDC. Here's where the states stand this year:

- Counting both state and federal funding, only two states – **Alaska** and **North Dakota** – currently fund tobacco prevention programs at the CDC-recommended levels.
- Only four other states – **Delaware, Hawaii, Maine** and **Wyoming** – are funding tobacco prevention programs at even half the CDC-recommended levels.
- Ten states are funding tobacco prevention programs at between 25 and 50 percent of CDC-recommended levels.
- 33 states and Washington, DC, are providing less than a quarter of the CDC-recommended amounts (of those, 23 states and DC are providing less than 10 percent of the CDC-recommended amounts).¹

¹ Alabama's tobacco prevention program budget for FY2012 was not available when this report went to press. Alabama historically has provided minimal funding for tobacco prevention. In FY2011, Alabama budgeted \$860,000, which is just 1.5 percent of the CDC's recommendation.

- Four states – **Connecticut, Nevada, New Hampshire** and **Ohio** – and **DC** have allocated no state funds for tobacco prevention programs in FY2012.
- The amount states are spending on tobacco prevention programs pales in comparison to the \$10.5 billion a year that major cigarette and smokeless tobacco companies spend to market tobacco products, according to the latest tobacco marketing reports of the Federal Trade Commission (for 2008). That means the tobacco companies spend \$23 to market tobacco products for every one dollar the states spend to prevent kids from smoking and help smokers quit.

Progress Is At Risk Unless States and Federal Government Step Up Fight against Tobacco

This report is being released in the wake of national surveys showing that the nation’s progress in reducing smoking has slowed.

The CDC recently reported that the adult smoking rate in 2010 was 19.3 percent – only a small decline since 2004 when 20.9 percent smoked. While smoking among high school students has declined by 46 percent from a high of 36.4 percent in 1997, 19.5 percent of high school students still smoke and declines have slowed in recent years, according to the CDC.

This slowing of progress has coincided with deep cuts in funding for state tobacco prevention and cessation programs. It began when states cut funding by 28 percent, or \$211.5 million, between FY2002 and FY2005. After increasing funding to \$717.2 million in FY2008, states have again cut funding for tobacco prevention, this time by 36 percent in the last four years.

If the nation is to continue reducing smoking and other tobacco use, elected officials at all levels of government must resist complacency and redouble efforts to implement scientifically proven measures to reduce tobacco use. Recent landmark reports by the Institute of Medicine (IOM) and the President’s Cancer Panel have agreed on the steps that the federal government and the states must take to win the fight against tobacco.² Recommended actions include the following:

- The states must step up efforts to implement three proven strategies to reduce tobacco use: fund tobacco prevention and cessation programs at CDC-recommended levels, increase tobacco taxes and enact smoke-free workplace laws.

As this report details, most states have woefully under-funded tobacco prevention programs, and most have cut them substantially in recent years. Instead, states should increase tobacco taxes to help fill budget gaps and use some of the revenue to increase funding for tobacco prevention programs. In addition, every state should enact a comprehensive smoke-free law that covers all workplaces and public places, including restaurants and bars. To date, 29 states and DC have enacted smoke-free laws that include restaurants and bars.

² Institute of Medicine, *Ending the Tobacco Problem: A Blueprint for the Nation*, National Academy of Sciences, 2007; U.S. Department of Health and Human Services, *Promoting Healthy Lifestyles: Policy, Program and Personal Recommendations for Reducing Cancer Risk*, 2006-2007 Annual Report, President’s Cancer Panel.

- At the federal level, the deep cuts to state programs underscore the importance of preserving the Prevention and Public Health Fund created by the health care reform law. This fund is a critical source of support for tobacco prevention and cessation efforts, including a national mass-media campaign to discourage kids from smoking and encourage smokers to quit, enhancement of telephone quitlines and other tobacco cessation services, and state and community grants. These measures are key elements of the national Tobacco Control Strategic Action Plan announced on November 10, 2010, by the U.S. Department of Health and Human Services.

It is also imperative that the U.S. Food and Drug Administration continue to effectively exercise the authority to regulate tobacco products that it received under a landmark 2009 law. Under the law, the FDA has eliminated the sale of candy and fruit-flavored cigarettes, imposed new restrictions on tobacco marketing and sales to kids, ended the use of the deceptive cigarette labels “light” and “low-tar,” and required larger warning labels on smokeless tobacco products. The FDA also has unveiled large, graphic cigarette warnings that are to appear on all cigarette packs and advertisements starting in September 2012, but tobacco companies have filed lawsuits to block the warnings.

States Have the Resources and the Evidence to Fund Tobacco Prevention Programs

Elected leaders lack credible excuses for failing to do more to protect our children from tobacco and help smokers quit. First, the problem has not been solved – tobacco use remains the nation’s leading cause of preventable death. Second, despite budget shortfalls, the states are collecting huge sums in revenue from the tobacco settlement and tobacco taxes; it would take just a small portion of their tobacco money to fund tobacco prevention programs at CDC-recommended levels, leaving most of it for other purposes. Third, there is more evidence than ever that tobacco prevention and cessation programs work, especially when part of a comprehensive strategy that also includes higher tobacco taxes and smoke-free workplace laws.

The current budget crisis should not be an excuse for states to cut tobacco prevention programs. The evidence is clear that these programs not only reduce smoking and save lives, but also save money by reducing tobacco-related health care costs. Even in these difficult budget times, tobacco prevention is one of the smartest and most fiscally responsible investments that states can make.

The states’ funding of tobacco prevention and cessation is woefully inadequate given the magnitude of the problem: Tobacco use is the number one cause of preventable death in the United States, claiming more lives every year – more than 400,000 – than AIDS, alcohol, car accidents, murders, suicides, illegal drugs and fires combined. Cigarette smoking costs the nation \$193 billion a year in economic losses, including \$96 billion in health care costs and \$97 billion in productivity losses, according to the CDC. Every day, another 1,000 kids³ become new regular smokers and another 1,200 Americans die because of tobacco use.

³ Substance Abuse and Mental Health Services Administration (SAMHSA), HHS, *Results from the 2010 National Survey on Drug Use and Health, NSDUH: Summary of National Findings*, 2011.
<http://oas.samhsa.gov/NSDUH/2k10NSDUH/tabs/Sect4peTabs10to11.pdf>

Despite their budget woes, every state has plenty of tobacco-generated revenue to fund a tobacco prevention program at CDC-recommended levels: As this report shows, the states this year will collect \$25.6 billion from the tobacco settlement and tobacco taxes. It would take less than 15 percent of this total to fund tobacco prevention programs in every state at levels recommended by the CDC. Tobacco tax increases would readily provide more revenues to help fund tobacco prevention and meet other budgetary needs.

The evidence is conclusive that tobacco prevention and cessation programs work to reduce smoking, save lives and save money by reducing tobacco-caused health care costs: Every scientific authority that has studied the issue, including the IOM, the President's Cancer Panel, the National Cancer Institute, the CDC and the U.S. Surgeon General, has concluded that when properly funded, implemented and sustained, these programs reduce smoking among both kids and adults.

In its May 2007 report, the IOM concluded:

The committee finds compelling evidence that comprehensive state tobacco control programs can achieve substantial reductions in tobacco use. To effectively reduce tobacco use, states must maintain over time a comprehensive integrated tobacco control strategy. However, large budget cutbacks in many states' tobacco control programs have seriously jeopardized further success. In the committee's view, states should adopt a funding strategy designed to provide stable support for the level of tobacco control funding recommended by the Centers for Disease Control and Prevention.

The CDC reached similar conclusions in October 2007 when it released updated recommendations to the states for funding and implementing comprehensive tobacco control programs, in a document entitled *Best Practices for Comprehensive Tobacco Control Programs – 2007*. Summarizing state experiences and new scientific evidence since it last issued this report in 1999, the CDC concluded:

We know how to end the epidemic. Evidence-based, statewide tobacco control programs that are comprehensive, sustained, and accountable have been shown to reduce smoking rates, tobacco-related deaths, and diseases caused by smoking... Implementing a comprehensive tobacco control program structure at the CDC-recommended levels of investment would have a substantial impact. For example, if each state sustained its recommended level of funding for five years, an estimated five million fewer people in this country would smoke. As a result, hundreds of thousands of premature deaths would be prevented. Longer-term investments would have even greater effects.

The strongest evidence that tobacco prevention programs work comes from the states themselves. Maine, which ranked first in funding tobacco prevention programs from 2002 to 2007, reduced smoking among high school students by 54 percent between 1997 and 2009. Washington state, which had a well-funded prevention program before funding was virtually

eliminated this year, has reduced adult smoking by one-third and overall youth smoking by more than half since its program began in 2000.

These smoking declines translate into lives and health care dollars saved. A study conducted for the Washington State Department of Health estimated that the state's tobacco prevention and cessation program has prevented 13,000 premature deaths and nearly 36,000 hospitalizations, saving about \$1.5 billion in health care costs. The study found that for every dollar spent by the state on tobacco prevention in the last ten years, the state saved \$5 in reduced hospitalization costs.

Studies show that California, which has the nation's longest-running tobacco prevention and cessation program, has saved tens of thousands of lives by reducing smoking-caused birth complications, heart disease, strokes and lung cancer. Between 1988 and 2004, lung and bronchus cancer rates in California declined nearly four times faster than the rest of the United States. A peer-reviewed study published in August 2008 in the medical journal *PLoS Medicine* found that California's tobacco control program saved \$86 billion in health care costs in its first 15 years, compared to \$1.8 billion the state spent on the program, for a return on investment of nearly 50:1.

Our nation has made significant progress in reducing tobacco use with a comprehensive approach that includes well-funded tobacco prevention and cessation programs, tobacco tax increases and smoke-free workplace laws. However, the recent slowing of smoking declines is a clear warning to elected officials at all levels that it is premature to declare victory over tobacco and much more must be done to win the fight against the nation's leading preventable cause of death. Tobacco's toll in health, lives and dollars is far too steep to allow backsliding. What's needed today is the political will to combat the tobacco epidemic with the leadership and resources that match the scope of the problem.